



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 695 (422)

May 10, 1982

SUBJECT: Appraisal of Farm Real Estate and Chattel Property

TO: All State Directors, Farmer Program Chiefs  
District Directors and County Supervisors

Estimating Values: When completing appraisals for loan making or servicing it is important that appraisal reports be fully documented as to reasons for arriving at estimated values. Prudent judgment should be made in determining final estimated values. Drastic changes in the value of farm real estate, machinery and livestock have occurred in many areas in recent months. To assure value estimates based on realistic and current information, we are requesting the following actions be taken as soon as possible:

Farm Real Estate Appraisal: Market values of farm real estate has changed drastically in some areas during recent months. Reports of changes in market value of farm real estate range from static or no sales occurring to severely reduced value. Appraisers and members of the State Office Staff designated to provide appraisal training are reminded of the critical need to use current market data for comparable properties. In the absence of true sale transactions in a community where an appraisal is being made, the appraiser should request assistance of the District Director or State Office Staff of Farmer Programs to determine trends and secure market data on comparable properties from neighboring communities or rely on an accurate estimate of earnings capitalized at an appropriate rate to arrive at the earnings value (capitalization approach). Comparable property sales occurring over 12 months before the appraisal is prepared should not be used. To facilitate reasonably accurate and current data for appraisals of farm tracts in connection with loan making and servicing activities the following actions are recommended:

County Supervisor: Check all comparable sales data and retire sales over 1 year old. Analyze current sales data by comparison with prior sales to determine trends by various types (soils, improvements, land mix, enterprise adaptability, location, etc.). If adequate comparable sales are not available, request assistance of District Director.

EXPIRATION DATE: December 31, 1982

FILING INSTRUCTIONS: Preceding  
FmHA Instruction 422.1



District Director: Review sales data maintained in all county offices for current status and adequacy. Assemble information on available comparable sales by soil types, land mix, enterprise adaptability, improvements, etc., to be available for a County Supervisor where recent sales have not occurred.

State Director: Review State Instructions to determine if guidance provided for making adjustments in time and capitalization rates presently provided reflect the current trend of farmland values. Similar areas of each State should be identified for exchange of information between county or District Offices. Comparable properties selected may be located outside a county office area when recent sales are not available but should be similar to the appraised property in characteristics affecting value.

Chattel Appraisal: Many of you have also observed a steady decline in the present market value of farm equipment and livestock in recent months due to adverse economic conditions. All appraisers must be acutely aware of the extent of change occurring in the present market value of chattels in their area. The reliability of a chattel appraisal is only as good as the accuracy of the appraiser's information. Therefore, chattel appraisers must insure that the source of their information accurately reflects the current market conditions in their area. There is usually more than one source of reliable information available in an area such as auctioneers, local markets, machinery dealers, radio, T.V., newspaper market reports and voluntary public sales. Also the 1982 Spring edition of the Official Guide Tractors and Farm Equipment has been distributed to State and county offices. If you have not received your office copy of the "Official Guide," you may obtain one by writing the Director, Finance Office, St. Louis, Missouri, Attention: Mailroom.

Training: State Directors should review records of training, assess needs for training and take appropriate actions required to assure that all employees who have responsibilities to perform appraisals are adequately trained.



CHARLES W. SHUMAN  
Administrator